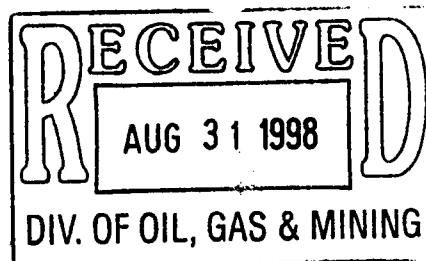


5/023/057

Bountiful Utah,  
997 N. Chapel Dr. # 4  
Bountiful Utah, 84010  
801-296-2516  
8/11/98



Dear Mike,

I would have gotten back to you sooner except for the fact that I have been out of town the last little while. I would like to say that I feel that there are definitely some serious if not interesting misunderstandings between us in recent times. I hope that I can clear up most if not all of the "miscommunication" or other problems between us **(without the necessity of going to court).**

The first issue that I wish to clear up concerns your red beryl area (I am assuming that you mean the area near Wildhorse springs). As difficult as this may be to believe, I have not been to this location for many years. It would definitely be very interesting (and valuable) to me to know who gave you this information. I would really like to confront this individual personally. I checked with the BLM and they said that they had gone out to the location along with the people who have an interest in the property and have both concluded that no work had been done there since Kennecott had done some work there a number of years ago. If you need confirmation to these facts then you can check with the BLM. The reason that I have addressed this issue first is to demonstrate that things are not always as clear cut as they may at first appear to be. Misunderstandings can happen very easily and eventually get totally out of hand if they are not taken care of properly. **This is the whole theme as to what has transpired concerning the bixbyite areas.**

First of all let me just say that I do feel that at the present time that you are proceeding out of several false assumptions. What is true is that I have indeed staked a claim in that area. What is definitely NOT true is that I said in any way that your Cubical #7 claim was either invalid due to "defects", staked improperly or that I did not acknowledge its existence. I also NEVER told Tom Munson (or anyone else for that matter) that I had mined and sold thousands of dollars worth of material. The opposite is actually true. You see I never actually received your letter. The first time that I had heard about the situation was when I received a phone call from Tom concerning a letter from you (a copy of the one I did not receive). He emphasized to me the fact that you had misunderstood him concerning "the thousands of dollars worth of specimens that I had mined and sold". He told me that he had not said anything to that effect. I had also never told either Tom or anyone else that you had improperly staked your claim. I asked him if he would give me a copy of the letter, which he did.

Next of all, I did not knowingly over-stake your Cubical # 7 claim and willfully "highgrade" you under the premise that you had improperly located your claim. I also did not dig up the area with a backhoe in order to "hide" your discovery pit to aid in "jumping" your claim. You can believe what you want to, however, claim jumping or willful highgrading are NOT my style or the way I conduct business. The sample court cases that you sent me are also interesting. Believe it or not I do agree with this concept completely. I have experienced similar situations in the past and have been glad that simple oversights or mistakes in descriptions did not invalidate a claim. But the type of situation that these sample cases address do not exist in our case. I will attempt to

come to some sort of compromise (agreement) that would be not only satisfactory but also beneficial to both of us. We just need to carry on some meaningful dialog (negotiations) to come to a fair agreement. If you ask your lawyer, he should tell you that it would be very difficult (if not impossible) to collect any type of damages if this were to go to court. You and I would probably EACH spend several thousand dollars to take this thing to court (only the lawyers would come out on this one). All that the judge would do is listen to each of our arguments and then give the disputed ground to either you or I. No damages would be assessed because the way I proceeded with the process of staking the claim was correct and followed all of the guidelines set forth by the BLM for staking a claim. In other words, **"I acted in good Faith"** when I staked my claim. Especially when you consider that I have accepted full responsibility for reclamation, including the posting of a reclamation bond.

6. If you are interested in seeing or obtaining any copy (s) of documents that I have, including maps, etc, I would gladly furnish you with whatever you need.
7. It would really be of interest for you to know that I have not as yet sold any of the material that I collected (I did send some pieces of to my Russian connection as samples). That is why it is kind of strange that anyone (especially Tom Munson) would have told you that "I mined and sold thousands of dollars worth of specimens". Secondly, I did not get very much in the way of any really great bixbyite specimens. It is true that I did get some "decent" (but small) combinations of bixbyite and pink topaz, but nothing that you could not get in ten minutes at the Cubical # 2 claim with only hand tools. As I said earlier, it is ironic that the 4 best specimens that I found did not even come from the disputed area. It would be a waste of time worrying about "thousands of dollars worth of bixbyite specimens" that in reality never existed. Like I also said before, if you have looked this area over before, then you know that this is the truth.
8. Regardless of the outcome of who will ultimately end up with the disputed area, as I said before, each of us definitely owns a portion of uncontested mineralized ground. As such I do intend to pursue my exploration, assessment and if economical, mining of the area (**uncontested area**) for pink topaz and whatever else.

Well then the question then becomes "where do we go from here?" I would suggest that you and I negotiate a compromise settlement. It would seem to be in both of our best interest to settle this thing both fairly and quickly if possible. I will even start things off with some possible ways to settle this issue fairly and to everyone's benefit. The following are some of the ideas that we might consider (there is plenty of room for a lot more ideas than just these:

1. I would be willing to purchase the Cubical # 7 (for a reasonable amount). In addition, I would allow you access to the area (you would have mining privileges as long as they would not directly interfere with any ongoing (active) mining activities that we were doing at the time and that you not use any earthmoving type of equipment. You would have this privilege for as long as I owned the claim. This scenario would definitely have a number of advantages to you

especially since you would have access to an area that would cost you nothing in time or money to develop. The reason that I would allow such a thing is because I have a specific market for the topaz in Russia and probably would not overlap your type of market too much.

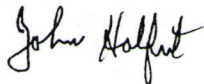
2. We could each maintain our own "uncontested" areas and "share" access to the disputed area.
3. We could work out some type of lease agreement for the disputed ground.
4. I welcome any reasonable suggestions or offers that you might propose.

I would also be interested (after we settle this thing) to maybe purchase 3 to 5 thousand dollars of mineral and/or fossil specimens of various types from you on a yearly basis. I am involved with projects in Russia and I would have a good market for the type of things that you sell.

Learn a lesson from the misinterpreted "red beryl" highgrading incident and realize that things are not always as "**sinister**" as they may at first appear. We ~~can~~ both come away from this both satisfied and better off than we were before. I am anxiously awaiting your response to my proposals.

Sincerely,

John Holfert

A handwritten signature in cursive script that reads "John Holfert".